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DETROIT AUTO SHOW!

CHILTON'S

FEBRUARY 1991

AUTOMOTIVE INDUSTRIES

THE PEOPLE – THE PRODUCT – THE PROCESS

1991 MAN OF THE YEAR

GM VICE-CHAIRMAN

JOHN F. SMITH, JR.

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Volume 171, No. 2 February 1991

Cover portrait of 1991 Man of The Year John F. Smith, Jr., by Randy Hamblin

CHILTON'S
AUTOMOTIVE INDUSTRIES

COVER STORY

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John F. Smith, Jr., recognized for lifelong achievement.

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AUTOMOTIVE INDUSTRIES (ISSN 0273-656x) magazine is published monthly by Chilton Co., Chilton Way, Radnor, PA 19089. Chilton Company is a division of Capital Cities/ABC, Inc., New York, NY. Subscription rates: 1 yr. $49.95 US, $100.00 foreign. Phone (215) 964-4152. Second Class Postage paid at Wayne, PA 19087 and additional mailing offices. POSTMASTER: Send address changes to AUTOMOTIVE INDUSTRIES, Circulation Dept., Chilton Way, Radnor, PA 19089. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that a base fee of $1.00 per copy of the article, plus 25¢ per page is paid to the CCC, 21 Congress St., Salem, MA 01970. Address special requests to The Editor. (0273-656x/85 $1.00 + 25¢)

CHILTON COMPANY
ONE OF THE
CAPITAL CITIES/
ABC PUBLISHING COMPANIES
DIVERSIFIED PUBLISHING GROUP
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STOCK SHOCK

Hard times in Detroit had a powerful impact on the personal stock holdings of Big Three executives in 1990.

by JOSEPH M. CALLAHAN

A combination of the Persian Gulf crisis, Japanese sales inroads and the apparent US recession have caused a substantial reduction in vehicle sales and production for American automakers. Less conspicuous, however, are the major declines in the prices of GM, Ford and Chrysler common stocks.

Naturally, this has greatly diminished the personal assets of many officials at the Big Three. This situation has also resulted in serious financial losses for tens of thousands of lower-ranking 'white collar' workers, many of whom count on their securities as the foundation for their retirements.

During 1990, the price of common stock for GM stockholders declined from 42 1/4 to 34 3/8. Ford stock nosedived from 43 3/8 to 26 5/8. Chrysler stock dropped from 19 to 12 5/8, following a nearly two-point rise following Kirk Kirkorian's December purchase of over 9% of Chrysler stock.

Percentage-wise, the declines were 18.6% for GM shares, 39% for Ford securities and 33% for Chrysler stock. GM's E and H securities are not included in this report.

William Clay Ford, a director of Ford Motor Co. and the only surviving grandson of Henry Ford, was the automotive industry's largest loser last year. He owns more than eight million shares of Ford stock. The $16.75 loss per share produced a total loss for him of about $135 million.

The officers and vps of GM, Ford and Chrysler hold the following shares of stock either directly or indirectly, according to the Securities and Exchange Commission and various published data:

FORD MOTOR CO.	
William C. Ford, director	8,088,649
Edsel Ford, director	1,281,426
Donald Petersen*	185,381
Harold [illegible]ding, chairman	166,329
Louis Ross, exec. vp	75,829
Donald McCammon, vp	64,984
Louis Lataif, vp	50,013
Philip Benton, president	49,779
Peter Pestillo, vp	39,393
Edward Hagenlocker, vp	16,772
John [illegible] Courter, secretary	16,387
Melvyn Ma[illegible]ing, vp	5,611
John Hausm[illegible], vp	5,258
John W. Martin, vp	3,982
Clifton Wharton, director	3,900

Retired
*1990 Proxy Statement

CHRYSLER MOTORS

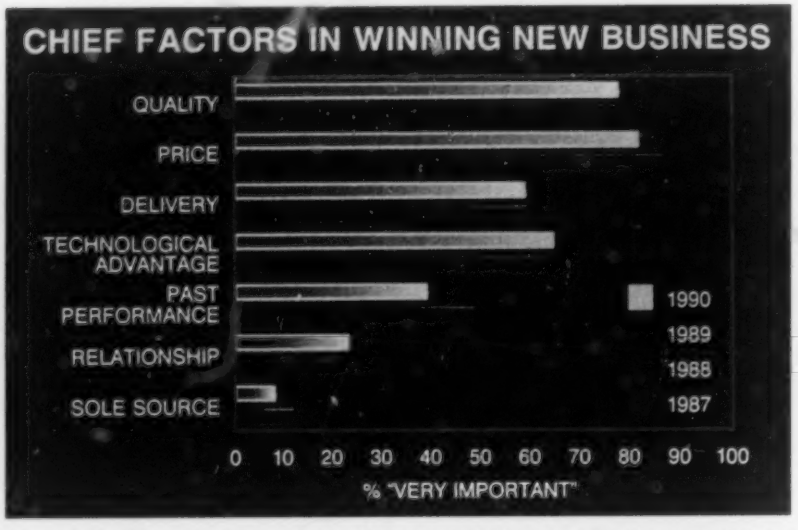
GM

CHRYSLER CORP.	
Lee Iacocca, chairman	382,491
Gerald Greenwald	47,649**
Robert Miller, exec. vp	31,066**
Bennett Bidwell	23,913**
Ronald Grierson, director	15,200
Glenn White, vp	15,000
Thomas Denomme, vp	12,145
Robert Lutz, president	7,058**
Joseph Cappy, vp	6,905
J. Paul Sticht, director	5,875
Francois Castaing, vp	4,986
Anthony Bryan, director	4,700**
Peter Magowan, director	4,450**
Malcolm Stamper, director	4,018**
Arthur Liebler, vp	2,822
Lilyan Affinito, director	2,250**
Joseph Califano, director	2,250**
Leroy Richie, vp	1,969
Joseph Antonini, director	1,500
A.J. DeGrande, director	1,325
Kent Kress, director	1,200
Earl Graves, director	1,000**
Robert Lanigan, director	762
Juanita Kreps, director	747
William Milliken, director	450
*Retired **1990 Proxy Statement	

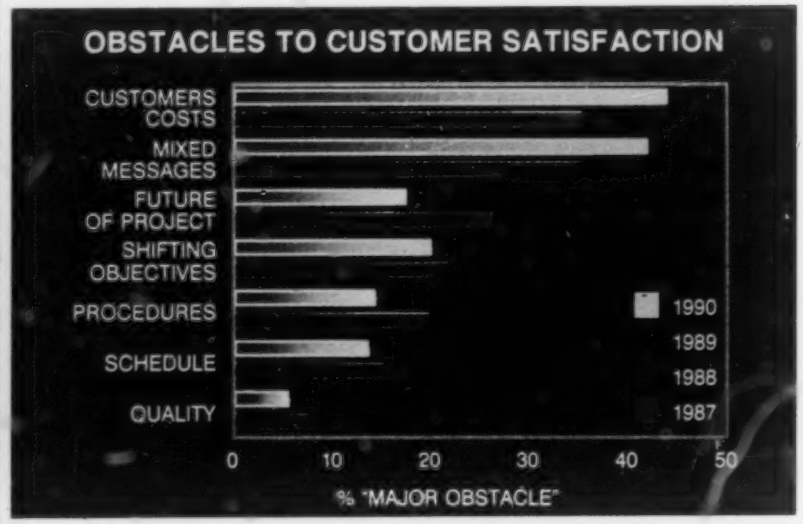
GENERAL MOTORS	
Lloyd E. Reuss, pres.	64,310
Edward Czapor, vp	53,020
Robert Stempel, chair.	46,075**
Patrick J. Coletta*	45,787
David Campbell, vp	39,638
Charles Moore, vp	38,846
Charles Kafko*	34,207
Robert O'Connell, evp	31,928
John McNulty*	31,036
James Johnston, vp	30,794
George Peapples, vp	29,652
John Smith Jr., v-chair.	29,651
J.T. Battenburg, vp	29,296
William E. Hoglund, evp	24,833
Robert Evans, director	24,808
John Rhame, vp	19,387
F. Allan Smith, exec. vp	18,636
John Grettenberger, vp	15,114
Ronald H. Haas, vp	14,880
James FitzPatrick, vp	14,880
Leon J. Krain, vp	14,827
Robert Schultz, v-chair.	14,685
Paul Zalecki, vp	14,116
Edward Mertz, vp	13,143
Betsy A. Johnson, vp	13,111

Michael Mutchler, vp	12,267
William Lane*	12,112
John Middlebrook, vp	9,297
Arvin Mueller, vp	8,940
Walter Binns, vp	6,827
John Jarrel, vp	6,358
Robert Stone, vp	5,383
Thomas McDaniel, vp	5,227
George Eads, vp	4,672
Lewis Campbell, vp	4,335
Charles Jordan, vp	4,332
John Michi, director	4,122
Charles Golden, treasurer	3,792
Donald Runkle, vp	1,583
Harry Pearce, vp	1,309
J. Trevor Eyton, director	1,000
Shirley Young, vp	987
*Retired **1990 Proxy Statement	

AUTOMOTIVE SUPPLIER SURVEY



"Price" has displaced "quality" as the chief factor in winning new business. Having a technological product advantage continues to increase in importance and is now the number three factor. A supplier's past performance with a customer is declining in importance, as has personal relationships with customers.



Customers' cost constraints still rank as the major obstacle to satisfying customers in current business dealings. Dealing with customers' "mixed messages" continues a four-year increase. Meeting customer's quality requirements continues to decline as an obstacle.

Four-year study shows suppliers nearing a profit crisis.

*Each year since 1987, Sandy Corp. – a major Detroit-area consulting, training and communicating firm – has conducted a survey of automotive suppliers, identifying key issues, concerns and trends in this industry. Through special arrangements with Sandy Corp., **Automotive Industries** offers these study highlights. The most recent study, conducted in November and December 1990, was based on responses of 138 supplier executives, equally divided between senior management and marketing roles. These respondents averaged 20 years' experience in the industry. Mean sales for their organizations were $1.128 billion.*

The Profit Crisis

During the last four years, quality-related issues were the top concern of automotive suppliers. Today, quality has been replaced by a "profit crisis," which suppliers see as a threat to their survival.

"Nearly two out of three suppliers said that profit erosion in 1990 has been 'significant' to 'very significant'," says Steve Wells, Sandy Corp. vp, who conducts the study. "For the fourth consecutive year, 'Assuring a profit and a return on investment' was their number one concern."

Wells says that both price and cost surface as key issues throughout the study. "'Price' has replaced 'Quality' as the top factor in winning new business," he explains. "Similarly, 'Cus-

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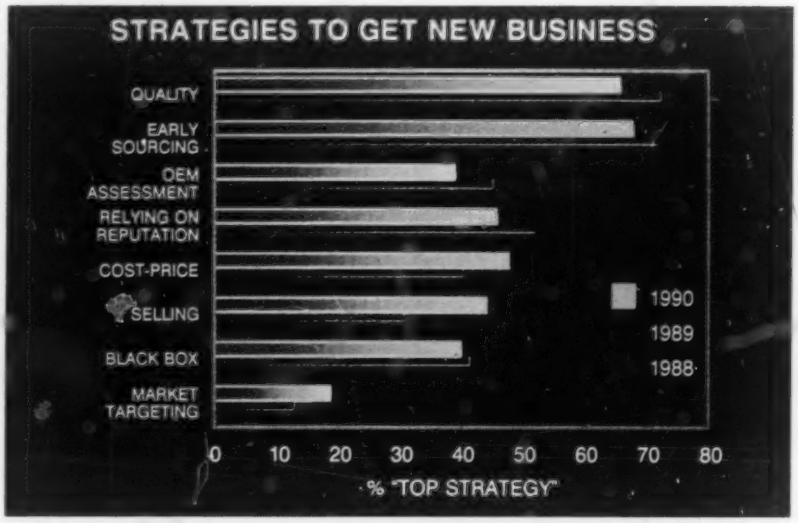


"Having a recognized quality reputation" continues a three-year decline as the top strategy to get new business. Instead, suppliers view "partnering" effectively with customers in early-sourcing design and development work as the top strategy, but even this declined in 1990. In fact, nearly all the traditional strategies have declined – becoming certified, relying on a positive reputation. Increasingly preferable strategies in 1990 were: attacking costs and responding to customer pressure to further reduce prices; and maintaining good marketing contact with potential customers by a knowledgeable sales force.

Once again, early sourcing is perceived as the strategy with the greatest impact to improving quality and lowering cost. But this declined in 1990. Increasing significantly was implementing comprehensive quality improvement programs, such as QFD. Once again, automakers' supplier certification programs seem to have lost favor as effective mechanisms to gain increased quality at lower cost.

tomers' cost constraints is the number one obstacle to customer satisfaction for suppliers."

The study also indicates that customer's "high overhead costs" appears to be increasing as a customer practice that has a serious effect on suppliers.

Consequences of Profit Erosion

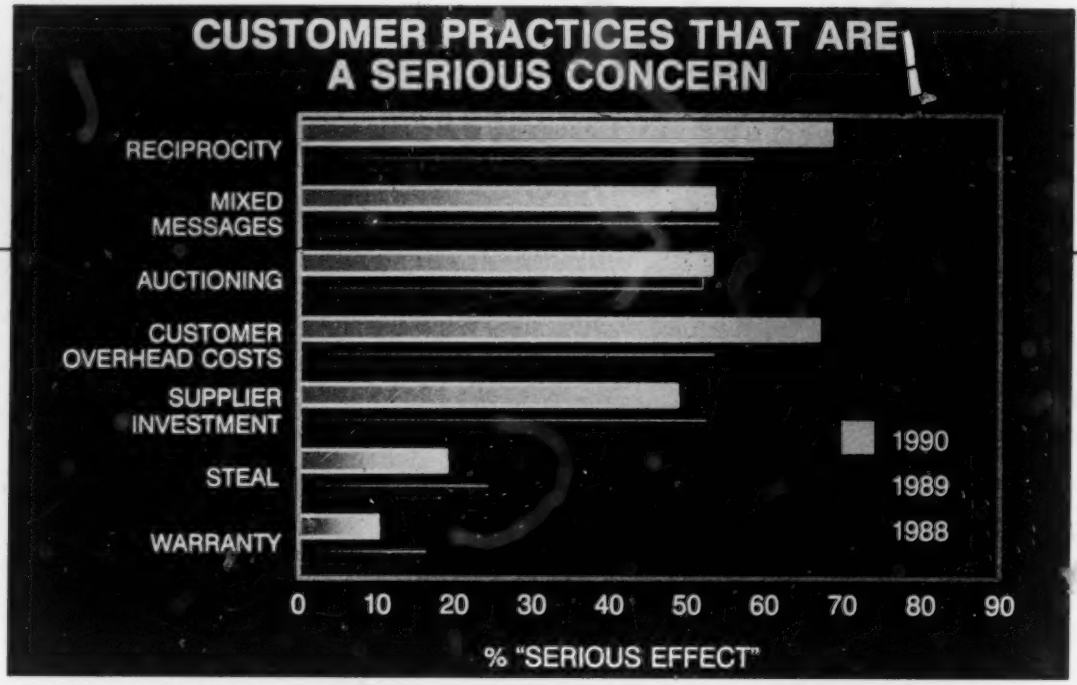
Suppliers believe profit erosion will have its most serious effect in the amount of technology and innovation they can offer the automakers, and in the degree of services and support they can provide. Most suppliers feel the key to increased profitability lies within their ability to implement internal productivity and control other costs.

Other results show that suppliers are increasingly concerned about getting what they interpret as "mixed messages" from their customers. Being able to "partner" effectively with customers in early sourcing relationships, though still viewed as a highly effective strategy by suppliers, is declining as the strategy of choice, as are automakers' supplier assessment and certification programs.

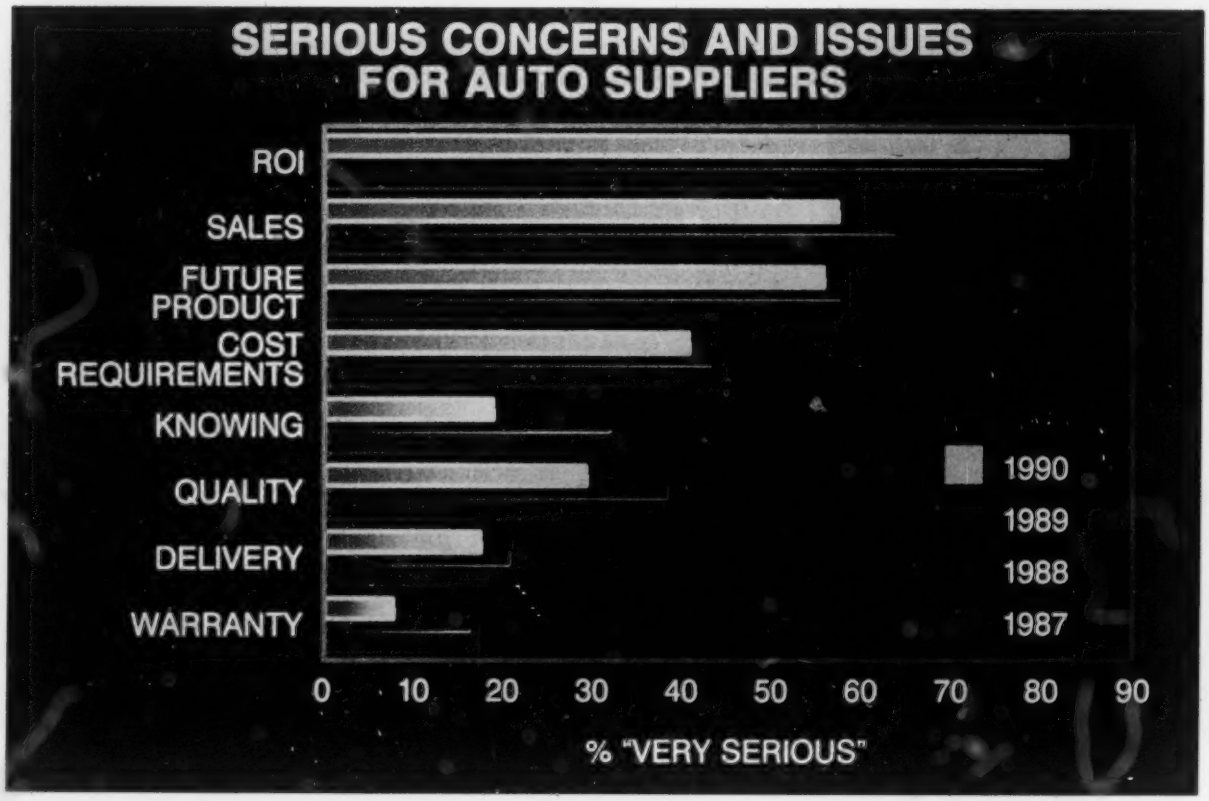
Looking Internally for Answers

Suppliers appear to be turning internally for answers, whether beefing up marketing efforts, restructuring organizations, developing joint ventures or increasing efforts to launch overall quality approaches within their organizations.

Their interest in training employees to address these new needs increased significantly in 1990. Suppliers gave highest priority to teamwork training, whether internally across disciplines, or to work better as "partners" with customer personnel. There was also increased interest in training new quality assurance techniques to technical personnel, and to train marketing and customer contact managers to market smarter and track customer expectations and satisfaction.



Suppliers still rate customers' lack of full "partnership" reciprocity in business dealings as the one practice that has the most serious effect, although 1990 shows a decline in this, and continuation of an increased concern over customers' high overhead costs and their resulting lack of profitability, which produces cost constraints passed on to suppliers.



Assuring a profit and return on investment continues to gain as suppliers' most serious concern, followed by assuring a flow of new business ("sales"). Other concerns have diminished in 1990.

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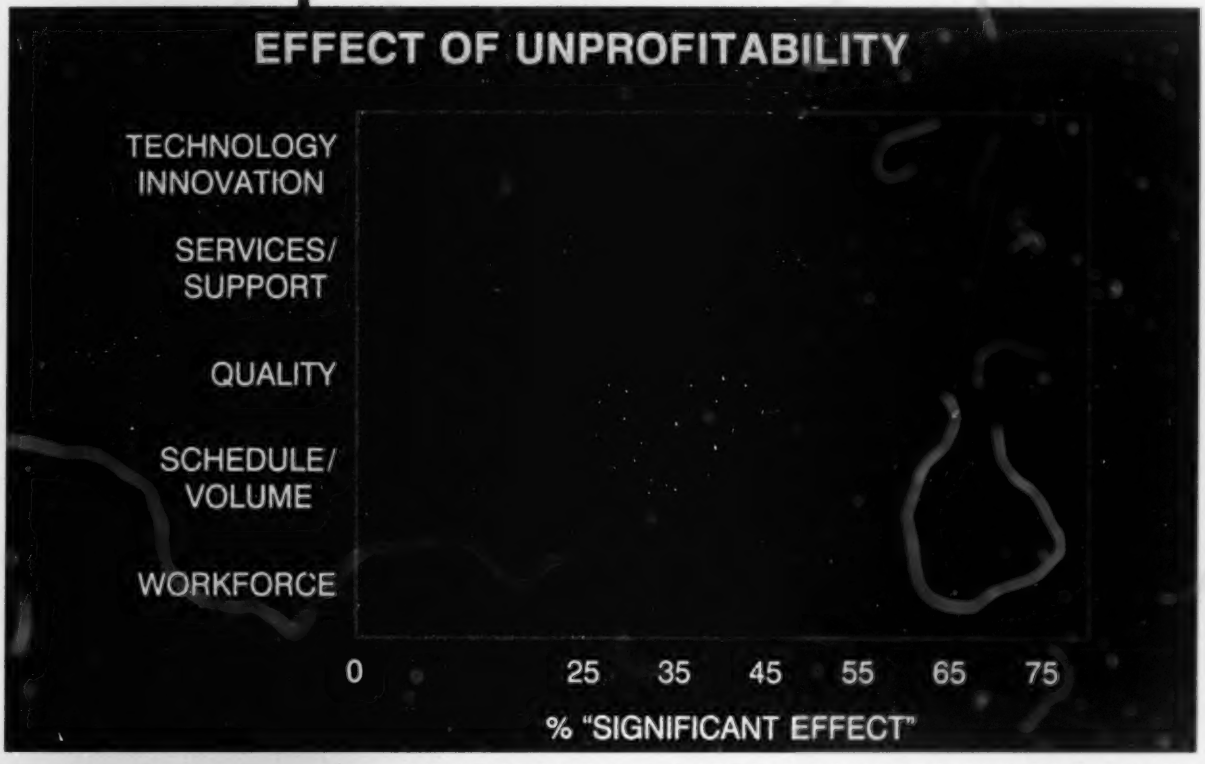
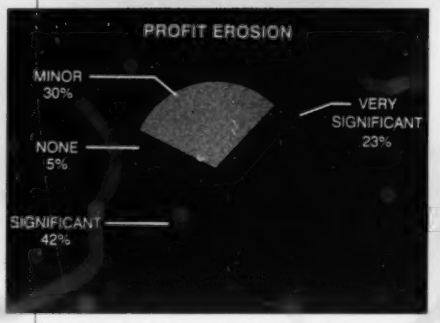
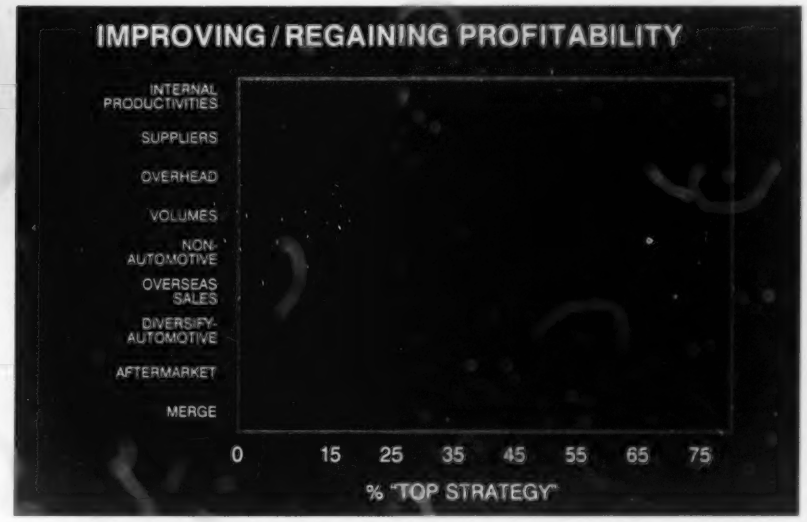
SUPPLIER SURVEY



Most suppliers feel that the amount of technological innovation they can bring to the table will be the first victim of unprofitability, followed by the level of services and support they can offer their customers. More than a third indicate that lack of profitability will have a serious effect on quality and also upon suppliers' capacity and schedule to respond to customers' schedule and volume changes. The competitiveness of suppliers' workforces will be the least affected, they say.



Nearly one in four suppliers reports "very serious" profit erosion over the past two years. Another 42% feel that erosion has been significant. Only 33% report profit erosion has been minor or none.



Suppliers clearly favor cost-reduction strategies as their top choices to improving or regaining profitability: achieving internal productivities through lowering the cost of production, reduce the cost of incoming materials ("suppliers"), reduce overhead burden. Increasing volumes with current customers is viewed by more than a third of suppliers as a top strategy. Others – seeking overseas markets, diversification within or outside of automotive, expansion into automotive aftermarket, mergers – are all seen as less desirable.

Complete results are available from Steve Wells, Sandy Corp., 1500 Big Beaver Road in Troy, MI 48084, 313-649-0800. Sandy Corp. offers a series of 1½-hour "Executive Briefings," scheduled in late February 1991 to present and explain the results. There is a modest charge for these sessions. For information and reservations, call Yvonne Juszkiewicz at Sandy Corp. AI